



NEATH PORT TALBOT COUNTY BOROUGH COUNCIL

AUDIT COMMITTEE

REPORT OF THE HEAD OF FINANCE – HUW JONES

14th SEPTEMBER 2020

Matter for Information

Wards Affected - All

TREASURY MANAGEMENT MONITORING 2020/21

Purpose of Report

1. This report sets out treasury management action and information for the first quarter of 2020/21 as reported to Cabinet on 30th July 2020 which is now forwarded to Audit Committee for information.

Rates of Interest

2. The global outbreak of coronavirus has forced the UK Government to take drastic steps to stem the economic impact and this resulted in the Bank of England reducing the bank base rate.
3. During a special meeting of the Bank of England's Monetary Policy Committee on 10th March 2020, the Bank of England cut the rate from 0.75% to 0.25%, effective from 11th March, with a further reduction to 0.10% following shortly after on 19th March. The bank warned that the pandemic will result in a "sharp and large" economic shock.

The following table details the changes in bank rate:

Effective Date	Bank Rate
8th January 2009	1.50%
5th February 2009	1.00%
5th March 2009	0.50%
4th August 2016	0.25%
2nd November 2017	0.50%
2 nd August 2018	0.75%
11 th March 2020	0.25%
19 th March 2020	0.10%

4. The following table provides examples of external borrowing costs as provided by the Public Works Loans Board as at 7th July 2020:

	Equal Instalments of Principal		Annuity		Maturity	
	Previous 14Jan20	Current 07Jul20	Previous 14Jan20	Current 07Jul20	Previous 14Jan20	Current 07Jul20
	%	%	%	%	%	%
5-5.5 years	2.28	1.94	2.28	1.94	2.32	1.98
10-10.5 years	2.32	1.98	2.32	1.98	2.58	2.24
20-20.5 years	2.58	2.24	2.60	2.24	3.05	2.66
35-35.5 years	2.99	2.60	3.02	2.62	3.00	2.61
49.5-50 years	3.09	2.69	2.98	2.69	2.93	2.49

General Fund Treasury Management Budget

5. The following table sets out details of the treasury management budget for 2020/21 along with outturn figures for 2019/20. The budget consists of a gross budget for debt charges i.e. repayment of debt principal and interest, and interest returns on investment income

2019/20 Outturn £'000		2020/21 Original Budget £'000
19,925	Principal and Interest charges	19,720
	Investment Income	
(497)	- Total	(400)
147	- less allocated to other funds	130
(350)	Subtotal Income	(270)
(301)	Contribution from General Reserves	(170)
	Contribution to General Reserves	
	Contribution to/(from) treasury management reserve	
19,274	Net General Fund	19,280

NB: Other funds include Trust Funds, Social Services Funds, Schools Reserves, Bonds etc.

Borrowing

6. The following new loan has been entered into since the last quarterly monitoring report:

Date	Amount of Loan £'000	Type	Interest Rate %	Term of Loan (Yrs)
30/03/20	20,000	Maturity Loan	1.89	2.5

7. This loan was taken out to mitigate against any potential shortfall in cash, particularly in relation to paying out Small Business Grants on behalf of the Welsh Government and also concerns over the wider impact on cashflow from the Coronavirus outbreak.

Investments

8. The following are a list of investments that we have as at 30th June 2020:

<u>Counterparty</u>	<u>Value (£)</u>	<u>Investment type</u>	<u>Investment start</u>	<u>Investment maturity</u>	<u>Interest rate</u>
Surrey County Council	£10,000,000	Fixed	15/06/20	15/09/20	0.30%
London Borough of Barking & Dagenham	£7,000,000	Fixed	10/06/20	10/09/20	0.20%
Santander	£80,100,000	Call Account	N/A	N/A	0.10%

9. Please note – the Council’s investment criteria (TMP2 - appendix 1) allows for a maximum investment for an F1 rated counterparty to be £15m. Santander are currently an F1 rated counterparty – however, the policy also allows for this to be temporarily exceeded in exceptional circumstances. Member should note that during the COVID pandemic, this balance has been exceeded.

Investment Income

10. In line with the Council’s Investment Strategy, the 2020/21 original budget target for investment income is £400k, income for the financial year to date totals £67k. Due to the very low interest rates at present with base rate at 0.1%, it is unlikely that the investment income target will be met. Any unachieved income will be met from the treasury management equalisation reserve at year end, subject to the Council’s overall financial position.
11. Members should note that the majority of investments are classified as ‘specified’ i.e. up to 12 months and are currently deposited with Local Authorities and Santander Bank
12. The Council policy will allow investments up to a maximum of £25m for periods of more than 1 year and up to 5 years, and this will be considered when decisions on investing surplus funds are made. The Council has no such investments.

Financial Impact

13. All relevant financial information is provided in the body of the report.

Integrated Impact Assessment

14. There is no requirement to undertake an Integrated Impact Assessment as this report is for information purposes.

Valleys Communities Impacts

15. No implications

Workforce Impacts

16. There are no workforce impacts arising from this report.

Legal Impacts

17. There are no legal impacts arising from this report.

Risk Management

18. There are no new risk management issues arising from this report. Borrowing and investment decisions are made in line with the Council's Treasury Management Policy. The Council has appointed Link Asset Services to provide support and advice in relation to this policy.

Consultation

19. There is no requirement under the Constitution for external consultation on this item.

Recommendation

20. It is recommended that Audit Committee members note the contents of this monitoring report.

Appendices

21. None

List of Background Papers

22. PWLB Notice Number 259/20

Officer Contact

Mr Huw Jones – Head of Finance

E-mail - h.jones@npt.gov.uk

Mr Ross Livingstone – Group Accountant – Capital and Corporate

E-mail – r.livingstone@npt.gov.uk

Appendix 1

Specified Investments

	Minimum 'High' Credit Criteria	Funds Managed	Max Amount	Max Duration
Term deposits				
Term deposits - Debt Management Office	N/A	In-house	Unlimited	1 year
Term deposits – local, police and fire authorities	N/A	In-house	£10m	1 year
Term deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1+	In-house	£20m	1 year
Term deposits – UK banks/Building Societies	Fitch short-term rating F1	In-house	£15m	6 months or 185 days
Callable deposits				
Callable deposits – Debt Management Agency deposit facility	N/A	In-house	Unlimited	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F1+, F1	In-house	£20m	
Callable deposits – Nationalised & Part Nationalised UK banks/Building Societies	Fitch short-term rating F2	In-house	£10m	
Callable deposits - UK banks/Building Societies	Fitch short-term rating F1+ or F1	In-house	£15m *	
Term deposits – non UK banks	Fitch short-term rating F1+	In-house	£5m	6 months or 185 days

* Where necessary this limit may be temporarily exceeded with the Authority's bankers only.